



# **LINCOLN CHAFEE**

## **U.S. SENATOR**

### **RHODE ISLAND**

**FOR IMMEDIATE RELEASE**  
**Tuesday, March 15, 2005**

**CONTACT: Stephen Hourahan**  
**202-224-6167**

## **Put Pay-As-You-Go Back on the Books**

**By U.S. Senators Lincoln Chafee and Russ Feingold**

While some aspects of the economy are showing improvement, members of the U.S. Congress seem to have taken this as an indication that our federal budget is in good shape and we can afford to proceed with "business as usual," that is, more deficits. Nothing could be farther from the truth. Congress needs an incentive to keep spending under control and we have just the answer. It is a pay-as-you-go or "PAYGO" budget rule that offers a simple solution: if Members of Congress want new tax cuts or new entitlement spending, they have to find a way to pay for them first. We need this kind of fiscal discipline now more than ever, and no congressional budget should pass without PAYGO in place.

In 2000, the Federal government actually had a budget surplus of \$236 billion. Just five years later, the budget figures are staggering, dangerous and inescapable. The overall federal debt is \$7.7 trillion. In 2004, the federal deficit was \$412 billion. The American people deserve better. Unfortunately, this year, it appears that they are in for more of the same.

A pay-as-you-go, or "PAYGO" budget rule simply requires that Congress offset increases in spending or tax cuts through corresponding spending cuts or tax increases. It forces Congress to make the tough budget choices that are otherwise all too easy to avoid. If new tax cuts or entitlement spending is beneficial, shouldn't we be able to address their costs by re-prioritizing? PAYGO is a simple but tough rule that tests policies of both parties in the same way. Find a way to pay for it first, or find 60 Senators willing to override the rule.

When PAYGO was on the books during the 1990's, it worked. While it was not perfect, it worked well enough to help lower the deficit, and, eventually, balance the federal budget. PAYGO expired in 2002. It is no coincidence that in that same year, the budget plunged back into the red.

While PAYGO has a proven track record, it will only work if it can be fully enforced. In the last few years the Senate has been operating under a deeply flawed mutation of the PAYGO rule – the same rule proposed in the budget currently being considered. Under “PAYGO-lite,” Congress can include any tax cuts or spending increases it wants in the annual budget resolution. Members must find offsets only if the tax cuts or spending being proposed would exceed the limits set in the budget resolution! As a result, we did not have the PAYGO discipline for crucial debates on the Medicare drug benefit and the tax measures of the past few years. “PAYGO-lite” now has a proven track record, and its effect on the federal budget’s bottom line has been devastating.

The bipartisan support for PAYGO in the Senate last year is proof of the growing concern in both parties about the lack of discipline and accountability in the federal budget process. Right now, Congress is shirking its responsibility to the American people as it drives the nation ever deeper into the red. Including PAYGO in this budget would signal a willingness to bring this spending under control. Excluding it would signal support for the status quo. That is a proposition that the American people simply can’t afford.